

Blouberg Municipality



ANUAL FINANCIAL STATEMENT

2011/12 FINANCIAL YEAR

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Blouberg Local Municipality
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2012

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Blouberg Local Municipality

STATEMENT OF FINANCIAL POSITION

as at 30 June 2012

	Note	2012 R	2011 R
ASSETS			
Current assets			
Cash and cash equivalents	1	3,161,503	2,473,228
Trade and other receivables from exchange transactions	2	5,582,160	1,370,144
Other receivables from non-exchange transactions	3	9,416,540	4,369,811
Inventories	4	32,244,597	3,074,737
VAT receivable	8	11,752,790	7,806,917
Non-current assets			
Investments	5	4,029,616	4,166,171
Property, plant and equipment	6	3,106,770,072	3,133,304,530
Total assets		<u>3,172,957,279</u>	<u>3,156,565,539</u>
LIABILITIES			
Current liabilities			
Trade and other payables from exchange transactions	7	22,434,249	16,418,232
Current provisions	9	5,131,657	4,570,054
Current portion of unspent conditional grants and receipts	10	11,837,698	18,707,166
Total liabilities		<u>39,403,604</u>	<u>39,695,451</u>
Net assets		<u>3,133,553,675</u>	<u>3,116,870,088</u>
NET ASSETS			
Reserves		2,938,898,696	2,955,383,455
Accumulated surplus		194,654,979	161,486,633
Total net assets		<u>3,133,553,675</u>	<u>3,116,870,088</u>

Bloouberg Local Municipality

STATEMENT OF FINANCIAL PERFORMANCE

for the year ending 30 June 2012

	Note	2012	2011
		R	R
Revenue			
Property rates	11	7,929,213	6,753,497
Service charges		6,722,694	8,436,466
Rental of facilities	12	227,394	162,605
Interest earned - external investments	13	712,912	353,355
Interest earned - outstanding receivables	14	3,706	259,872
Fines		495,399	306,938
Licences and permits		2,607,570	2,329,593
Government grants and subsidies	15	113,914,466	87,714,581
Other income	16	62,685,222	4,275,628
Total revenue		195,298,576	110,592,736
Expenses			
Employee related costs	17	45,486,620	39,329,059
Remuneration of councillors	18	9,854,910	7,022,560
Bad debts		-	5,721,338
Depreciation and amortisation expense	19	47,957,282	9,302,409
Repairs and maintenance		1,821,100	1,262,374
Bulk purchases	20	12,573,822	9,312,570
Contracted services	21	1,577,535	1,165,017
Cost of Sale of Stands		15,490,360	-
General expenses	22	27,368,600	19,468,188
Total expenses		162,130,230	92,583,515
Surplus for the period		33,168,346	18,009,221

Bloemfontein Local Municipality

CASH FLOW STATEMENT

as at 30 June 2012

Note	2012 R	2011 R
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CASH FLOWS FROM OPERATING ACTIVITIES

Receipts

Taxation	121,218,749	102,999,041
Sales of goods and services		-
Grants	11,259,576	12,686,055
Interest received	102,076,768	89,699,760
Other receipts	716,618	613,227
	7,165,787	

Payments

Employee costs	95,283,953	74,328,287
Suppliers	55,341,530	46,351,619
Net cash flows from operating activities	39,042,423	27,976,667
	25,934,796	28,670,754

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of fixed assets (PPE)	25,383,074	28,305,173
Proceeds from sale of investments	-	(275,563)
Decrease/(Increase) in Investments	(136,554)	-

Net cash flows from investing activities

25,246,520	28,029,610
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Net increase / (decrease) in net cash and cash equivalents

Net cash and cash equivalents at beginning of period	688,276	641,144
Net cash and cash equivalents at end of period	2,473,228	1,832,085

24	3,161,504	2,473,228
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Blouberg Local Municipality
STATEMENT OF CHANGES IN NET ASSETS
 as at 30 June 2012

Note	Reserve	Accumulated Surplus / (Deficit)	Total Net Assets
	R	R	R
Balance at 30 June 2010		648,800	143,477,412
Changes in accounting policy			144,126,212
Correction of prior period error			
Restated balance at 30 June 2010		648,800	143,477,412
Surplus / (deficit) on revaluation of property of property, plant and equipment			144,126,212
Surplus / (deficit) for the period		2,955,375,152	2,955,375,152
Balance at 30 June 2011		2,955,023,952	18,009,221
Correction of prior period error		(640,497)	18,009,221
Restated balance at 30 June 2011		2,955,393,455	3,117,510,585
Surplus / (deficit) on revaluation of property of property, plant and equipment			3,116,870,080
Surplus for the period	25	(16,484,759)	(16,484,759)
Balance at 30 June 2012		2,938,898,696	33,168,346
			33,168,346
			3,133,553,675
			194,654,979

Blouberg Local Municipality
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ending 30 June 2012

1 BASIS OF ACCOUNTING

1.1 BASIS OF PRESENTATION

The financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

These financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied, are disclosed below.

1.2 PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.3 GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months.

1.4 COMPARATIVE INFORMATION

Budget information in accordance with GRAP 1 and 24, has been provided in an annexure to these financial statements and forms part of the audited annual financial statements.

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.5 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

GRAP 18 Segment Reporting - issued March 2005
GRAP 23 Revenue from Non-Exchange Transactions (Taxes and Transfers) - issued February 2008
GRAP 24 Presentation of Budget Information in Financial Statements - issued November 2007
GRAP 103 Heritage Assets - issued July 2008

2 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment is carried at revalue amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

When an item of property, plant and equipment is revalue, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalue amount.

When an item of property, plant and equipment is revalue, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalue amount of the asset.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalue carrying amount and depreciation based on the original cost of the asset.

Property, plant and equipment are depreciated over their expected useful lives to their estimated residual value.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment is carried at revalue amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited in revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The useful lives of items of property, plant and equipment have been assessed as follows:

Infrastructure		Other	
Roads and Paving	10-30 years	Buildings	20-30 years
Electricity	10-60 years	Office Equipment	3-10 years
Community		Furniture and Fittings	3-10 years
Buildings	20-30 years	Bins and Containers	2-5 years
Recreational Facilities	15-20 years	Emergency Equipment	5-15 years
Security	3-5 years	Motor Vehicles	5-10 years
		Plant and Equipment	2-10 years

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rental ends and the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

3 INVENTORIES

Inventories are initially measured at cost except where inventories are acquired at no cost, or for nominal consideration, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for:

Distribution at no charge or for a nominal charge; or

Consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

4 FINANCIAL INSTRUMENTS

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

A derivative is a financial instrument or other contract with all three of the following characteristics:

Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').

It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.

It is settled at a future date.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

Costs;
A residual interest of another entity; or
A contractual right to:
-receive cash or another financial asset from another entity; or
exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation for:
Deliver cash or another financial asset to another entity; or
Exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.
Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

Equity instruments or similar forms of utilised capital;

A formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or

A formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

The entity designates at fair value at initial recognition; or
Are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

derivatives; or

combined instruments that are designated at fair value;

Instruments held for trading. A financial instrument is held for trading if:

it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or

-on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;

-non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and

financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

5 UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

6 IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.22 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

7 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

8 PROVISIONS

Provisions are recognised when:

The municipality has a present obligation as a result of a past event;

It is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and

A reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised if when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:

Has a detailed formal plan for the restructuring, identifying at least:

-the activity/operating unit or part of a activity/operating unit concerned;

-the principal locations affected;

-the location, function, and approximate number of employees who will be compensated for services being terminated;

-the expenditures that will be undertaken; and

-when the plan will be implemented; and

Has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

Necessarily entailed by the restructuring; and

Not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

The amount that would be recognised as a provision; and

The amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note (N#).

9 LEASES

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

9.1 Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

9.2 Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amount recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

10 REVENUE

10.1 REVENUE FROM EXCHANGE TRANSACTIONS

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Service charges relating to electricity and water are based on consumption. Meters are read on a quarterly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. The estimates of consumption between meter readings are based on prior month average meter readings.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse containers per property.

Service charges from sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved from Council and are levied monthly.

Interest revenue is recognised on a time proportion basis.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Dividends are recognised on the date that the Municipality becomes entitled to receive the dividend.

Revenue arising from the application of the approved tariff or charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods is passed to the consumer.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

11 BORROWING COSTS

It is inappropriate to capitalise borrowing costs when, and only when, there is clear evidence that it is difficult to link the borrowing requirements of an entity directly to the nature of the expenditure to be funded i.e. capital or current.

Borrowing costs are recognised as an expense in the period in which they are incurred.

12 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Blouberg Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	Note	2012 R	2011 R
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1 CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following:

Cash on hand	3,161,503	2,473,229
Cash at Bank	3,161,503	2,473,229

The Municipality has the following bank accounts: -

Current Account (Primary Bank Account)

ABSA Bank Limited - Polokwane Branch: Account Number 1150169476		
Cash book balance at beginning of year	2,424,961	1,637,833
Cash book balance at end of year	3,113,479	2,424,961
 Cash book balance at end of year	 3,118,115	 2,705,945
Bank statement balance at end of year	4,767,802	3,118,115

Current Account (Other Account)

ABSA Bank Limited - Polokwane Branch: Account Number 4057350474		
Cash book balance at beginning of year	48,267	194,034
Cash book balance at end of year	48,024	48,267
 Bank statement balance at beginning of year	 48,267	 230,651
Bank statement balance at end of year	48,024	48,267
 <u>Cash on hand</u>	 3,161,503	 2,473,228
Total cash and cash equivalents		

2 TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS

	Gross Balances R	Provision for Doubtful Debts R	Net Balance R
Trade receivables as at 30 June 2012			
Service debtors			
Electricity	3,048,776	(1,891,954)	1,156,822
Refuse	859,465	(700,478)	158,987
Rates	9,330,067	(6,706,881)	2,629,186
Other	1,637,166	-	1,637,166
Total Trade and other receivables	14,881,473	(9,299,312)	5,582,161

as at 30 June 2011

Service debtors			
Electricity	2,494,086	(2,288,011)	206,074
Refuse	909,993	(334,803)	75,188
Rates	11,616,234	(10,083,961)	962,273
Other	1,532,318	(1,405,710)	126,608
Total Trade and other receivables	16,582,632	(15,212,488)	1,370,144

Dieuberg Local Municipality
 NOTES TO THE FINANCIAL STATEMENTS
 for the year ended 30 June 2012

	Note	2012 R	2011 R
	Note	2,012 R	2,011 R
Electricity: Ageing			
Previous balance		65,358	47,860
Current (0 – 30 days)		63,670	47,839
31 - 60 Days		-	52,261
61 - 90 Days		69,522	46,346
91 - 120 Days		13	59,159
121 - 365 Days		1,016,525	51,368
+ 365 Days		933,688	2,236,442
Total		3,048,776	2,404,085
Refuse: Ageing			
Previous balance		20,213	
Current (0 – 30 days)		20,106	20,106
31 - 60 Days		19,584	19,594
61 - 90 Days		19,254	19,254
91 - 120 Days		18,971	18,971
121 - 365 Days		131,203	131,203
+ 365 Days		630,134	700,874
Total		859,465	909,592
Rates: Ageing			
Previous balance		87,585	
Current (0 – 30 days)		615,430	223,619
31 - 60 Days		160,619	245,995
61 - 90 Days		64,426	216,416
91 - 120 Days		63,651	276,243
121 - 365 Days		3,306,778	240,800
+ 365 Days		5,037,579	10,443,161
Total		9,336,067	11,646,234
Other: Ageing			
Previous balance		4,620	29,422
Current (0 – 30 days)		4,568	32,366
31 - 60 Days		4,410	28,474
61 - 90 Days		4,203	36,346
91 - 120 Days		4,191	31,683
121 - 365 Days		28,162	106,961
+ 365 Days		1,587,011	1,267,066
Total		1,637,166	1,532,318

2. Reconciliation of the doubtful debt provision

Balance at beginning of the year	15,212,458	9,491,150
Contributions to provision	9,299,312	5,721,338
Doubtful debts written off against provision	-	-
Reversal of provision	(15,212,458)	-
Balance at end of year	9,299,312	15,212,458

Trade and other receivables past due but not impaired

Trade and other receivables which are less than 3 months past due are not considered to be impaired. At 30 June 2012, R1 907 424 (2011: R839 075) were past due but not impaired

The ageing of amounts past due but not impaired is as follows:

1 month past due
 2 months past due
 3 months past due

1,997,424	907,424
703,774	323,950
87,883	346,733
1,205,767	318,362

Blouberg Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	Note	2012 R	2011 R
Trade and other receivables impaired			
As of 30 June 2012, trade and other receivables of R16 562 633 - (2011: R15 212 818) were impaired and provided for. The amount of the provision was R9 299 312 as of 30 June 2012 (2011: R15 212 488). The ageing of these receivables is as follows:		9,299,312	15,212,488
3 to 6 months		20,639	31,056
Over 6 months		9,276,854	14,826,432

The fair value of trade and other receivables approximates their carrying amounts.

3 OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Other debtors		9,416,540	4,369,811
Total Other Debtors		<u>9,416,540</u>	<u>4,369,811</u>

4 INVENTORIES

Opening balance of inventories:		3,074,737	2,837,830
Consumable stores - at cost		361,537	124,680
Vacant stands		2,713,200	2,713,200
Additions:			
Consumable stores		742,396	361,537
Vacant stands		46,798,084	-
Issued (expensed):			
Consumable stores		361,537	124,680
Vacant stands		18,009,082	-
4 Write-down / (reversal of write-down) to Net Replacement Value (NRV) or Net Replacement Cost (NRC):			
Consumable stores		-	-
Vacant stands		-	-
Closing balance of inventories:			
Consumable stores		32,244,597	3,074,737
Vacant stands		742,396	361,537
		<u>31,502,202</u>	<u>2,713,200</u>

5 INVESTMENTS

ABSA Fixed deposit a/c 20-7075-0019			
Opening balance		4,166,171	4,166,171
Interest earned		255,435	224,437
Amount withdrawn during the year		(101,989)	(224,437)
Closing balance at the end of year		<u>4,029,616</u>	<u>4,166,171</u>

The investment refer to-

The municipality's investment is fixed deposit held at ABSA as Eskom Guarantee amounting to R 4,029,616. The municipality does not have access, they only receive interest on the investment.

During the year R287 905 was earned from the investment.

ABSA Fixed deposit a/c 20-7116-2011			
Opening balance		15,000,000	-
Invested during the year		153,784	-
Interest earned		(15,193,784)	-
Amount withdrawn during the year		-	-
Closing balance at the end of year		<u>153,784</u>	<u>-</u>

Blouberg Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

Note	2012	2011
	R	R

The investment refers to a fixed deposit held at ABSA. Interest is earned at a variable interest rate of 5% and is compounded monthly.

During the year R15 198 783 was withdrawn from the investment.

ABSA Fixed deposit a/c 20-7291-2180

Opening balance

Invested during the year

10,000,000

47,693

Interest earned

Amount withdrawn during the year

(10,047,693)

Closing balance at the end of year

The investment refers to a fixed deposit held at ABSA. Interest is earned at a variable interest rate of 5% and is compounded monthly.

During the year R10 047 693 was withdrawn from the investment.

Blouberg Local Municipality
 NOTES TO THE FINANCIAL STATEMENTS
 for the year ended 30 June 2012

8 PROPERTY, PLANT AND EQUIPMENT

8.1 Reconciliation of Carrying Value

	as at 1 July 2011	Cost/Revaluation	Accumulated depreciation and impairment losses
Acquisitions	2,394,008,123	58,730,966	671,366,835
Capital under Construction	2,394,008,123	82,197,592	982,829,506
Depreciation		(23,467,026)	(317,462,734)
Carrying value of disposals			
Cost/Revaluation			
	(3,960,250)		
	(3,960,250)		

	as at 30 June 2012	Cost/Revaluation	Accumulated depreciation and impairment losses
Acquisitions	2,390,347,873	59,740,847	647,587,117
Capital under Construction	2,390,047,873	88,421,984	1,006,285,324
Depreciation		(28,581,043)	(358,698,207)
Carrying value of disposals			
Cost/Revaluation			
	(3,960,250)		
	(3,960,250)		

Refer to Appendix B for more detail on property, plant and equipment.

	Land	Buildings	Infrastructure	Other Assets	Total
	R	R	R	R	R
2,394,008,123	58,730,966	671,366,835	9,458,616	3,153,374,136	
2,394,008,123	82,197,592	982,829,506	11,987,754	3,477,023,495	
	(23,467,026)	(317,462,734)	(2,782,148)	(243,718,305)	
3,916,130	17,455,758	17,703,224	23,075,212		
	2,307,862	(5,214,017)	(61,235,476)	(1,507,789)	
(3,960,250)					
	(3,960,250)				
2,390,347,873	59,740,847	647,587,117	9,394,141	3,158,770,972	
2,390,047,873	88,421,984	1,006,285,324	13,691,078	3,403,446,259	
		(358,698,207)	(4,296,937)	(301,676,137)	

Blouberg Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2011

6.1 Recognition of Carrying Values

	Land	Buildings	Infrastructure	Other Assets	Total
	R	R	R	R	R
as at 1 July 2010					
Cost/Revaluation	648,800	19,937,721	130,223,755	8,756,834	159,567,140
Accumulated depreciation and impairment losses	648,800	21,714,826	141,004,433	13,148,823	176,515,062
		(1,777,105)	(10,780,515)	(4,391,939)	(16,949,772)
Acquisitions:					
Capital under Construction	292,694	16,240,460	2,530,130	19,163,203	
Depreciation	-	5,447,455	3,684,416	-	9,114,361
		(733,274)	(5,867,717)	(2,696,413)	(9,302,439)
as at 30 June 2011					
Cost/Revaluation	2,394,008,123	52,730,366	674,366,835	9,196,606	3,132,304,536
Correction of error (note 25)	648,800	27,454,935	161,920,503	15,678,932	204,622,055
Accumulated depreciation and impairment losses	2,393,359,323	33,791,360	525,975,021	608,051	2,354,734,555
		(2,515,379)	(16,648,405)	(7,088,407)	(26,252,181)

Refer to Appendix B for more detail on property, plant and equipment.

6.2 Property, plant and equipment pledged as security

No property, plant and equipment pledged as security.

Blouberry Local Municipality
 NOTES TO THE FINANCIAL STATEMENTS
 for the year ended 30 June 2012

Note	2,612	2,611
R	R	

7 TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

Trade creditors	5,003,723	4,565,620
Payments received in advance	5,715,665	1,489,316
Retentions	5,706,612	4,132,804
Other creditors	5,878,653	6,230,491
Pre Paid Electricity	180,190	
Total creditors	22,434,240	13,418,232

The fair value of trade and other payables approximates their carrying amounts.
 Prior year figures restated, refer to Note 35

8 VAT

VAT payable		
VAT is payable on the receipts basis. VAT is paid over to SARS only once payment is received from debtors.	6,712,816	5,212,813

VAT receivable

VAT is payable on the receipts basis. VAT is paid over to SARS only once payment is received from debtors. Prior year VAT Payable and VAT receivable was combined on the face of the Statement of Financial position as R7 506 917 (R13 019 735 - R5 212 818)	18,465,406	13,019,735
Net VAT Receivable	11,752,790	7,806,917

9 PROVISIONS

Annual bonus	1,045,657	701,063
Current portion of long-service provision	191,000	143,514
Long term portion of long-service provision	1,004,000	
Current portion of unused leave provision		3,725,476
Long term portion of unused leave provision	2,891,000	
Total Provisions	5,131,657	4,570,054

Annual bonuses are paid one year in arrear as the assessment of eligible employees had not taken place at the reporting date and no present obligation exist.

10 UNSPENT CONDITIONAL GRANTS AND RECEIPTS

Unspent Conditional Grants from other spheres of Government		
MIG Grants	8,014,546	10,110,290
MSIG Grants	-	39,655
CDM Grants	3,233,907	4,010,103
DME Grants	-	4,204,238
FMG Grants	539,246	342,679
Total Unspent Conditional Grants and Receipts	11,837,698	13,707,166
Non-current unspent conditional grants and receipts		
Current portion of unspent conditional grants and receipts	11,837,698	13,707,166
	11,837,698	13,707,166

See Note 15 for reconciliation of grants and receipts. These amounts are invested in ring-fenced investment until utilised.

Blouberg Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	Note	2,012	2,011
	R	R	R
11 PROPERTY RATES			
<u>Actual</u>			
Residential		511,978	436,063
State		5,694,124	4,849,820
Commercial		551,521	469,743
Farms		1,171,390	997,871
Total property rates		7,829,213	6,753,437
<u>Valuations</u>			
Residential		142,128,300	142,128,000
Commercial		27,576,000	27,576,000
State		284,173,000	284,173,000
Municipal		30,167,900	30,167,900
Total Property Valuations		536,000	536,000
		484,581,700	484,581,700

Valuations on land and buildings are performed every four years. The last valuation came into effect on 1 July 2008. Intial valuations are processed on an annual basis to take into account the changes in individual property values due to alterations and subdivisions. The next general valuation will be implemented on 01 July 2012.

12 RENTAL OF FACILITIES

Rental of facilities		227,394	162,605
Total rentals		227,394	162,605

13 INTEREST EARNED - EXTERNAL INVESTMENTS

Fixed deposit		511,914	272,368
Other		200,998	80,987
Total interest		712,912	353,355
INVESTMENT			

14 INTEREST EARNED - OUTSTANDING RECEIVABLES

Interest on Debtors		44,497	263,506
Transfer to CDM - Relating to Water and Sanitation Services		40,791	3,634
Total interest		3,706	259,872

Blouberg Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	Note	2,012	2,011
		R	R
15 GOVERNMENT GRANTS AND SUBSIDIES			
Equitable share		75,548,000	60,017,061
MIG Grant		27,572,745	13,235,334
MSIG Grant		829,654	710,345
CDM Grant		1,506,197	5,590,831
DME		7,204,233	7,170,211
FMG ¹		1,253,633	990,791
Total Government Grant and Subsidies		113,914,466	87,716,591
15.1 Equitable Share			
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.		75,548,000	60,017,061
15.2 MIG Grant			
Balance unspent at beginning of year		10,110,290	2,163,624
Current year receipts		25,477,000	21,182,000
Conditions met - transferred to revenue		(27,572,745)	(13,235,334)
Conditions still to be met - remain liabilities (see note 10)		8,014,545	10,110,290
15.3 Other Government Grants and Subsidies			
MSIG			
Balance unspent at beginning of year		39,655	-
Current year receipts		790,000	750,000
Conditions met - transferred to revenue		(829,655)	(710,345)
Conditions still to be met - remain liabilities (see note 10)			39,655
CDM			
Balance unspent at beginning of year		4,010,103	8,100,235
Current year receipts		730,000	1,500,699
Conditions met - transferred to revenue		(1,506,197)	(5,590,831)
Conditions still to be met - remain liabilities (see note 10)		3,233,906	4,010,103
DME			
Balance unspent at beginning of year		4,204,238	6,374,457
Current year receipts		3,000,000	5,000,000
Conditions met - transferred to revenue		(7,204,238)	(7,170,211)
Conditions still to be met - remain liabilities (see note 10)			4,204,238
FMG			
Balance unspent at beginning of year		342,879	83,670
Current year receipts		1,500,000	1,250,000
Conditions met - transferred to revenue		(1,253,633)	(990,791)
Conditions still to be met - remain liabilities (see note 10)		539,246	342,879
15.4 Changes in levels of government grants			
Based on the allocations set out in the Division of Revenue Act, no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.			
16 OTHER INCOME, PUBLIC CONTRIBUTIONS AND DONATIONS			
Other income			
Other income		2,310,193	4,275,828
Over provision of Bad Debts in Prior year		5,913,176	
Donations of Stand		46,793,084	
Sale of Stand		7,633,769	
Total Other income		62,685,222	4,275,828
17 EMPLOYEE RELATED COSTS			
Employee related costs - Salaries and Wages		26,745,355	23,021,623
Employee related costs - Contributions for UIF, pensions and medical aids		9,333,301	6,627,322
Travel, motorcar, accommodation, subsistence and other allowances		7,141,441	6,245,642
Housing benefits and allowances		2,146,042	1,093,144
Overtime payments		920,322	783,063
Over provision of prior year Leave Provision		(828,341)	1,553,246
Employee Related Costs		45,485,620	39,328,059

There were no advances to employees / Loans to employees are set out in note 3.

Blouberg Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	Note	2,012 R	2,011 R	
Remuneration of the Municipal Manager				
Annual Remuneration		541,775	601,643	
Performance- and other bonuses		45,143		
Travel, motor car, accommodation, subsistence and other allowances		195,347	224,067	
Contributions to UIF, Medical and Pension Funds		120,688	110,352	
Total		902,958	136,072	
Remuneration of the Chief Finance Officer				
Annual Remuneration		480,000	400,936	
Performance- and other bonuses		40,000		
Travel, motor car, accommodation, subsistence and other allowances		172,913	177,160	
Contributions to UIF, Medical and Pension Funds		107,097	90,131	
Total		800,000	668,227	
Remuneration of Individual Executive Directors				
	LED Services R	Technical Services R	Corporate Services R	Community Services R
2012				
Annual Remuneration	433,011	433,011	433,011	433,011
Performance- and other bonuses	36,084	-	36,084	36,084
Travel, motor car, accommodation, subsistence and other allowances	138,122	163,305	148,025	155,630
Contributions to UIF, Medical and Pension Funds	114,463	125,369	104,565	96,760
Total	721,685	721,685	721,685	721,685
	LED Services R	Technical Services R	Corporate Services R	Community Services R
2011				
Annual Remuneration	400,936	400,936	400,936	400,936
Travel, motor car, accommodation, subsistence and other allowances	177,160	177,160	177,160	177,160
Contributions to UIF, Medical and Pension Funds	90,131	90,131	90,131	90,131
Total	668,227	668,227	668,227	668,227

Stellenbosch Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	Note	2,012	2,011
		R	R
18 REMUNERATION OF COUNCILLORS			
Executive Mayor		397,732	311,339
Chief Whip		298,290	-
Deputy Executive Mayor		-	248,975
Speaker		318,135	233,411
Executive Committee Members		1,303,337	950,330
Councillors		3,628,094	1,960,661
Councillors' pension and medical aid contributions		883,283	692,526
Councillors' allowances		2,822,975	2,685,505
Total Councillors' Remuneration		9,854,810	7,622,560
19 DEPRECIATION AND AMORTISATION EXPENSE			
Property, plant and equipment		47,957,282	9,302,400
Total Depreciation and Amortisation		47,957,282	9,302,400
20 BULK PURCHASES			
Electricity		12,573,822	9,312,570
Total Bulk Purchases		12,573,822	9,312,570
21 CONTRACTED SERVICES			
Contracted services for:			
Security		1,577,535	1,165,017
		1,577,535	1,165,017
22 GENERAL EXPENSES			
Included in general expenses are the following:-			
Advertising		98,938	196,904
Admin fees		122,383	94,270
Audit fees		1,841,164	1,169,456
Bank charges		245,283	243,118
Bursaries		1,600	14,328
Conferences and delegations		804,840	781,467
Connection charges		135,750	15,838
Financial management grant		730,963	433,156
Fuel and oil		2,353,843	1,894,117
Insurance		396,938	183,716
Levies paid		67,928	25,579
Licence fees - vehicles		66,550	47,548
Membership fees		702,260	469,942
Postage		3,196	16,778
Printing and stationery		587,924	523,503
Professional fees		385,455	1,011,055
Rental of office equipment		897,341	925,417
Stocks and material		230,676	135,569
Telephone cost		734,095	613,361
Training		167,771	338,111
Travel and subsistence		4,648,512	3,134,522
Valuation costs		2,439,692	320,823
Payment to SARS		852,618	-
Ward committee expenses		2,606,161	-
Other		8,245,220	6,865,552
		27,388,000	19,412,138

Blouberg Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	Note	2,012 R	2,011 R
23 CASH GENERATED BY OPERATIONS			
Surplus/(deficit) for the year		33,168,346	18,009,221
Adjustment for:			
Depreciation and amortisation		47,957,282	9,302,400
Bad debt		6,913,178	5,721,368
Operating surplus before working capital changes:		87,033,803	33,032,867
(Increase)/decrease in inventories		(380,859)	(216,857)
(Increase)/decrease in trade receivables		4,212,016	(5,375,542)
(Increase)/decrease in other receivables		(5,040,730)	(6,33,631)
(Increase)/decrease in VAT receivable		(3,945,872)	(3,563,501)
Increase/(decrease) in conditional grants and receipts		(0,689,458)	1,985,178
Increase/(decrease) in trade payables		6,016,017	3,768,238
Prior year error		(16,454,759)	-
Other asset		(39,165,957)	-
Increase in other liability		561,603	-
Cash generated by/(utilised in) operations		25,934,795	28,670,755

24 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statement comprise the following:

Bank balances and cash	3,161,504	2,473,229
Bank overdrafts		
Net cash and cash equivalents (net of bank overdrafts)	3,161,504	2,473,229

25 CORRECTION OF ERROR

During the year ended 30 June 2011 and previous years, PPE and other assets were incorrectly recognised:

The comparative amount has been restated as follows:	
Statement of Financial Performance	
Commission	(2,782,881)
Depreciation	(317,466,724)
Net effect on surplus/(deficit) for the year	2,634,485,050
Statement of Financial Position	
PPE	2,954,734,655
Net effect on Statement of Financial Position	2,954,734,655
Net effect on Accumulated surplus opening balance	(320,243,605)

26 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

26.1 Unauthorised expenditure

Reconciliation of unauthorised expenditure

Opening balance	21,511,529	21,460,771
Unauthorised expenditure current year (2011 restated)	3,676,194	16,233,937
Burial fees	48,000	-
Payments not authorised according to delegation of powers	209,702	-
- previously reported in 2011		2,014,043
- unauthorised expenditure understated		14,219,834
Approved by Council or condoned		(16,183,179)
	30,443,425	21,511,529

Blomberg Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	Note	2,012	2,011
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The prior year unauthorised expenditure has been restated from R14 219 095 to R16 233 937, there is no effect on future profit/loss.

Incident: Disciplinary steps/criminal proceedings

Unspent conditional grants is disclosed in note 10 of the financial statements at a balance of R 11.8 million. The municipality have a cash and cash equivalents aggregating to R 3.1 million. Therefore the amount of R 8.6 million is not backed by cash.

8,676,194	16,233,937
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26.2 FruITLESS and wasteful expenditure

Reconciliation of fruitless and wasteful expenditure

Opening balance:

FruITLESS and wasteful expenditure current year	2,842
Interest on overdue creditors accounts	116,803
Interest and Penalties on late payment to SARS	119,645
FruITLESS and wasteful expenditure awaiting condonement	119,645

2,842	116,803
119,645	119,645

26.3 Irregular expenditure

Reconciliation of irregular expenditure

Opening balance:

Irregular expenditure current year	45,939
Mayor Discretionary fund	1,106,481
Non Compliance with the SCM regulations	56,640
Declaration of interest was not provided	28,535
Bid advert being less than 14 days	39,954
Non Compliance and non submission of Tax Clearance certificates	5,350,511
Irregular expenditure awaiting condonement	218,350
	6,846,409
	45,939

Incident: Disciplinary steps/criminal proceedings

Non-adherence to Supply Chain
steps were taken

- no disciplinary

**27 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE
MANAGEMENT ACT**

27.1 Contributions to organised local government

Opening balance	55,940
Council subscriptions	198,000
Amount paid - current	(702,260)
Amount paid - previous years	187,908
Balance unpaid (included in payables)	(514,352)

27.2 Audit fees

Opening balance	721,456
Current year audit fee	1,710,990
Amount paid - current year	(1,558,574)
Amount paid - previous years	(152,416)
Balance unpaid (included in payables)	(1,144,451)
	(1,865,907)

27.3 VAT

VAT input receivables and VAT output payables are shown in note 6. All VAT returns have been submitted by the due date throughout the year.